PRESS RELEASE
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THE BOARD OF DIRECTORS OF OAO LUKOIL SUMMED UP THE RESULTS OF THE COMPANY OPERATING ACTIVITIES FOR THE FIRST HALF OF 2004

The OAO LUKOIL Board of Directors meeting took place today in Moscow to sum-up the results of the Company's operating activities for the first half of 2004.

For the first 6 months of 2004 the reserves increase amounted to more than 60 million toe. Three oil fields, one gas condensate field together with five oil deposits at previously discovered properties have been discovered on the Russian territory as a result of the geological research. The Company actively continued to expand its resource base outside Russia. It allowed to double international resource base of the Group up to 680 million toe.

Crude oil output of the LUKOIL Group, including its interests in PSA projects, totaled 42.31 million tons, including those in Russia – 40.69 million tons (including the Group's share of production by affiliates), which is 8.9 % up against production level in the first half of 2003. Total gas production exceeded 3.1 billion m^3 - 12.9% up compared to the same period of the previous year. Compared to the first half of 2003 the Company managed to increase its average daily production of crude by 6.6%, its average well yield – by 12.8% and to reduce water cut by 0.9 %.

Throughput at Company's refineries in the reporting period totaled 21.1 million tons, including 17.4 million tons processed at domestic refineries and 3.7 million tons processed at Company's refineries abroad. Total amount of refined products rose by 2.9% in comparison with the first half of 2003. LUKOIL share in overall oil refining in Russia reached 19.3%. It represents a 0.6% increase in comparison with the same period of the previous year. The Company provided an optimum utilization of Russian refining capacities to ensure regular supplies of oil products to Russian consumers. The Company's petrochemical plants processed 1.1 million tons of pyrolysis crude which is 13% more than had been planned.

During the first half of the current year gas processing plants of the Company refined 1.3 million tons of natural gas which is 7% more than had been planned.

The export share in overall oil supplies exceeded 50% and the export volumes increased by 21% compared to the first half of 2003.

Over the reporting period 7.4 million tons of oil products were supplied to the

domestic market through the Russian oil product suppliers (0.4 million tons more compared to the first half of 2003). LUKOIL sold 3.5 million tons of oil products at the international market.

The Board of Directors also discussed the issue of proven and partially discovered oil and gas reserves of the Company. LUKOIL occupies a leading position among the largest Russian and international companies in terms of recoverable reserves under Russian classification and in terms of proven hydrocarbon reserves according to international classification.

The Company makes considerable investments in geological exploration of the new regions in Russia, which provide an alternative to the old ones, where the resource base has been considerably exhausted.

The new regions such as the Russian sector of the Caspian Sea and Nenets and Yamal-Nenets Autonomous Districts possessing rich hydrocarbon potential have recently expanded the geography of the Company's activity.

The Company discovered a new oil bearing area in the Caspian region. Within extremely short time LUKOIL has carried out a large amount of exploration work. The results thereof confirmed high perspectives of the Russian Caspian sector and also ensured discovery of 5 large, high-yield oil and gas fields. The Company's activity in Timan-Pechora oil-bearing province resulted in discovery of new reserves and start-up of the commercial development in this region.

The results of geological exploration for the last 3 years allow to say that LUKOIL actually solves overall federal issues in terms of the country's resources recovery, strengthening of fuel and energy sector and Russia's economy development. The Company's share in Russia's overall oil reserves growth in terms of geological exploration reached approximately 20%.

When assessing the Company's reserves it is crucial to confirm that they are well explored and have economic significance and value according to international standards. That is essential due to the changes in the Russian Mining Law and the fact that the Company is listed at international stock exchanges.

Therefore in 1995 LUKOIL was the first one among Russian companies to start an independent audit of reserves according to international standards. All the reserves audit procedures, carried out by "Miller & Lents" according to international standards and in compliance with SPE demands confirmed evaluation of Company's oil and gas reserves. Total proven, probable and possible reserves practically correspond to the volume of reserves as per Russian classification ABC1+C2. It proves the fact that Russian and international methods of geological

reserves calculation are similar.

Since 1998 oil and gas reserves calculations and all the operational documents for field development are based on 3-D models. Modern 3-D simulation technology used by the Company in geology and field development allows to evaluate its feedstock and to obtain highly reliable data. As far as the exploration activity continues and the new technology is being applied, oil recovery will be enhanced and all the commercial hydrocarbon reserves of ABC1-type will be moved to the proven reserves category.

This information is based on preliminary production data, which may be adjusted and corrected during preparation of LUKOIL financial accounts for the first half of 2004. So there may be divergences from production statistics, which will be published together with the financial accounts.